



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

Internal Audit Section

DR. KENNETH M. STONE, CPA
Internal Audit Executive

September 20, 2010

Carnahan Courthouse Building
1114 Market St., Room 642
St. Louis, Missouri 63101
(314) 622-4723
Fax: (314) 613-3004

Alfreda Brown, Director
East Central Missouri Area Health Education Center
3033 N. Euclid
St. Louis, MO 63115

RE: Workforce Investment Act (WIA) (Project #2010-SLATE8)

Dear Ms. Brown:

Enclosed is a report of the fiscal monitoring review of the East Central MO Area Health Education Center, a not-for-profit organization, WIA Program, for the period December 1, 2009 through March 31, 2010. The scope of a fiscal monitoring review is less than an audit, and as such, we do not express an opinion on the financial operations of the East Central MO Area Health Education Center. Fieldwork was completed on May 26, 2010.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the St. Louis Agency on Training and Employment to provide fiscal monitoring to all grant sub-recipients.

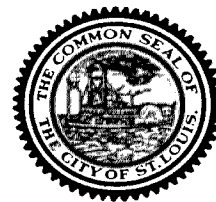
If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Sincerely,

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Michael Holmes, Executive Director, SLATE
Kim Neske, Fiscal Manager, SLATE
James E. Balls, II, Board President



CITY OF ST. LOUIS

**ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT (SLATE)
WORKFORCE INVESTMENT ACT (WIA)**

**EAST CENTRAL MISSOURI AREA HEALTH EDUCATION
CENTER (ECMO AHEC)
CONTRACT #217-10
CFDA #17.259**

FISCAL MONITORING REVIEW

DECEMBER 1, 2009 THROUGH MARCH 31, 2010

PROJECT #2010-SLATE8

DATE ISSUED: September 20, 2010

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT (SLATE)
WORKFORCE INVESTMENT ACT (WIA)
EAST CENTRAL MISSOURI AREA HEALTH EDUCATION CENTER
FISCAL MONITORING REVIEW
DECEMBER 1, 2009 THROUGH MARCH 30, 2010**

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INTRODUCTION

Background

Contract Name: East Central Missouri Area Health Education Center

Contract Number: 217-10

CFDA Number: 17.259

Contract Period: December 1, 2009 through June 30, 2010

Contract Amount: \$149,952

The contract provided Workforce Investment Act (WIA) funds to the East Central Missouri Area Health Education Center (Agency) to provide job-content skills that will prepare them for entry-level positions, give academic enhancement training, give instructions in self-management skills and job search skills that are all specific to the healthcare industry.

Purpose

The purpose of the review was to determine the Agency's compliance with federal, state and local St. Louis Agency on Training and Employment (SLATE) requirements for the period December 1, 2009 through March 31, 2010, and make recommendations for improvements as considered necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grant administered by SLATE. Evidence was tested supporting the reports the Agency submitted to SLATE and other procedures were performed, as considered necessary. Fieldwork was completed on May 26, 2010.

Exit Conference

An exit conference was conducted at the Agency on August 27, 2010. The Agency was represented by Alfreda Brown, Executive Director, and Cindy Fulton, CPA. SLATE was represented by Alice Prince, Youth Services Manager, and Tara Anderson, Education Assistant. The Internal Audit Section was represented by Kelly Laura, Auditor I, Christopher Whitmore, Auditor I, and Jeremy Holtzman, Auditor II.

Management's Responses

The management's responses to the observations and recommendations identified in the report were received from the Agency on September 7, 2010. These responses have been incorporated into this report.

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with federal, state and local SLATE requirements.

Status of Prior Observations

The Agency did not have a previous fiscal monitoring report since they are a first-time recipient of SLATE funds.

A-133 Status

According to a letter received from the Agency, it did not expend \$500,000 or more in federal funds in its fiscal year ended June 30, 2009, and was not required to have an A-133 audit.

Summary of Current Observations

Recommendations were made for the following observations, which if implemented could assist the Agency in fully complying with federal, state, and local SLATE requirements.

1. Opportunity to charge payroll expenditures according to grant budget (questioned costs \$3,188.88)
2. Opportunity to reconcile inventory purchased with federal funds
3. Opportunity to improve internal controls over time reporting

**DETAILED OBSERVATIONS, RECOMMENDATIONS
AND MANAGEMENT'S RESPONSES**

**1. Opportunity To Charge Payroll Expenditures According to Grant Budget
(Questioned Costs \$3,188.88)**

Payroll expenditures were sampled for pay periods ending December 27, 2009 and March 26, 2010. The reimbursed payroll exceeded the budgeted payroll as follows:

Pay Period Ending December 27, 2009						
Position	Actual Salary with Benefits	Contract %	Percentage Reimbursed	Contract Amount	Reimbursement	Excess Over Budget
Executive Director	\$ 3,793.04	35%	52%	\$ 1,327.56	\$ 1,964.90	\$ 637.34
Trainer	\$ 2,439.81	30%	52%	\$ 731.94	\$ 1,265.28	\$ 533.34

Pay Period Ending March 26, 2010						
Executive Director	\$ 3,181.68	35%	57%	\$ 1,113.59	\$ 1,825.14	\$ 711.55
Trainer	\$ 1,954.32	30%	52%	\$ 586.30	\$ 1,022.55	\$ 436.25
Case Manager	\$ 1,622.27	50%	104%	\$ 811.14	\$ 1,681.54	\$ 870.40
Total – Payroll in excess over budget (two pay periods)						\$ 3,188.88

After the Agency was awarded the SLATE contract, two members of the staff left its organization. Because the grant was for only a 7 month period, it was decided not to replace them by hiring new staff members. Therefore, the remaining staff members took on additional responsibilities and duties to ensure the program was delivered as budgeted. This resulted in staff members working and reporting a higher percent of effort than estimated in the program budget.

The Agency did not obtain SLATE's prior written approval for requesting reimbursement for payroll in excess of the contract payroll budget.

Non-compliance with the requirements of the contract may result in the misappropriation of federal funds and a possible delay or suspension of reimbursements.

Recommendation

It is recommended that the Agency refund SLATE for the unauthorized salaries totaling \$3,188.88 paid for pay periods ending December 27, 2009 and March 26, 2010. It is also recommended that the Agency submit a budget revision to SLATE and obtain its written approval to the revision.

Management's Response

We do not concur with this observation. The reimbursed actual amount accounted for the additional staff time necessary to meet the contract deliverables without the two staff persons mentioned. It was noted during the Exit Conference that the selected sampled salaries that were taken included fringe benefits for the entire month, not just that one pay period. Finally, it was determined that the SLATE contract did not prohibit ECMO AHEC from billing on a monthly invoice more than the total contract percentage of salary even though no more than the budgeted amount was billed during the course of the contract period. As noted by ECMO AHEC's CPA, "The key issue is whether or not more than the contract % can be charged on any invoice. If there is a Federal regulation or a section in the SLATE contract that states that the percentage allowable for a budget line item cannot be exceeded on any reimbursement invoice then this should be considered a legitimate audit issue and a response is needed. If no prohibition of this practice is found in either the SLATE contract or Federal regulations, we request the removal of audit finding #1 entirely."

Additionally, ECMO AHEC was asked to continue to monitor and supervise youth assigned to the organization until July 17 at no additional cost to SLATE. ECMO AHEC agreed to do this and will continue to monitor the youth for one year.

The agency has asked for an amendment to the contract and will submit the appropriate documentation to account for the time commitment reported by the staff that worked on the project. We are asking that the final report be reissued after the amendment is received.

Auditor's Comment

Section 18 of the SLATE agreement states that no more than the specified amount, as stated in the Budget section, may be spent for the per performance unit cost or by activity or the outlined cost categories and/or activities on a line-by-line basis as outlined in the contract budget, without prior written approval of SLATE. Internal Audit Section stands by its original finding and recommendation.

2. Opportunity To Reconcile Inventory Purchased With Federal Funds

During the 6 month program, the contract had an \$8,400.00 travel costs budget for the 20 program participants, in the form of bus passes and gas cards. Each participant was required to sign an acknowledgement sheet each time the bus passes or gas cards were received. The acknowledgement sheets were not kept in a centralized location, but instead, in a folder dedicated for each student. Additionally, the Agency did not maintain inventory records that tracked the incoming and outgoing inventory of the bus passes and gas cards. Therefore, a reconciliation of the bus passes and gas cards purchased to the inventory on hand was not possible.

Sound internal controls require inventory of assets to be logged in and out under dual control so that they may be reconciled on a regular basis.

The Agency did not have controls in place to track the bus passes and gas cards purchased from the grant funds.

Without proper tracking of assets, it is difficult to determine the accurate amount of bus passes and gift cards that are in the inventory and may result in the misappropriation of said assets.

Recommendation

It is recommended that the Agency keep a log for the inventory of bus passes and gas cards, which:

- Consists of individual serial numbers for each bus pass and gas card
- Is dated and signed by dually authorized personnel at the time of receipt and/or disbursement of said assets
- Is reconciled to the physical inventory on a periodic basis

Management's Response

We do not concur with this observation. The agency did have control in place to track bus passes as noted in each participant file. The process was also centralized but at the time of the audit the staff member that maintained the electronic central file was not in the office to show the file to the auditors. A sample page from the centralized file that is maintained on the computer system's g-drive is attached to this response. The file contains information that documents the purchase of bus passes and gas cards. Each item's tracking code or serial code is recorded. When a bus pass or gas card is issued to a participant, the person's name and the date issued are placed next to the code on the g-drive. A signed receipt is filed in their person's file. It should be noted that ECMO AHEC does not keep an inventory of bus passes and gas cards. They are purchased on an as needed basis specifically for the youth who indicate they need assistance with transportation. Only the exact number needed is purchased. Subsequently, there is never an "inventory" of cards to control.

2. Continued...

Auditor's Comment

During the fieldwork of the audit, the Executive Director stated that there was no centralized log kept for bus passes and/or gift cards. The centralized log provided to the Internal Audit Section with the management's responses did not address any of the issues identified in this observation.

3. Opportunity To Improve Internal Controls Over Time Reporting

Time sheets for pay periods ending December 13, 2009, December 27, 2009, March 7, 2010, and March 21, 2010 were sampled. None of the time sheets for the Executive Director were signed by the appointed authority. Only the Executive Director's signature appeared on the employee's portions of the time sheets while the appointing authority's sections were left blank.

Sound internal controls over time reporting, for federally funded projects, require that time sheets be utilized in order to illustrate time charged to the grant. Additionally, these time sheets should be signed by both the employee and an appointing authority to ensure the accuracy of the time reported has been reviewed.

The Agency was unaware that two signatures were required to be present on employees' time sheets.

Not reviewing and approving the Executive Director's time sheets could result in the inaccurate reporting of hours worked and/or vacation/sick leave taken.

Recommendation

It is recommended that the Agency ensure that both the employee and appointed authority's signatures are present on all time sheets.

Management's Response

We do not concur with this observation. As noted by the Agency's CPA, in A-122, under Cost Principles of Non-Profit Organizations, Selected Items of Cost, Section 8, subsection 13, subsection 2(c) (on page 2 of the attachment) - It says that the time sheets/ time reports must be signed by the individual employee or by a responsible supervisory official having first hand knowledge of the activities performed by the employee.

Auditor's Comment

A-122, section 8, subsection 13, subsection 1, states that charges to awards for salaries and wages, whether treated as direct or indirect costs, will be based on documented payrolls approved by a responsible official of the organization. Therefore, the Executive Director cannot sign to verify the accuracy of her own time sheet and also approve her time on behalf of the Agency. Additionally, section 8, subsection 13, subsection 1, continues to state that the distribution of salaries and wages to awards must be supported by personnel activity reports, except when a substitute system has been approved in writing by the cognizant agency and subsection 2 is referred to with additional detailed guidelines. Therefore, Section 8, subsection 13, subsection 2 guidelines refer to the additional personnel activities reports required, in addition to, not in lieu of documented payrolls. Internal Audit Section stands by its original finding and recommendation.